

A Trajectories-Based Approach to Measuring Intergenerational Mobility

Based on BFI Working Paper 2023-36, “[A Trajectories-Based Approach to Measuring Intergenerational Mobility](#),” by Yoosoon Chang, Indiana University; Steven N. Durlauf, University of Chicago; Seunghee Lee, Korea Development Institute; and Joon Y. Park, Indiana University

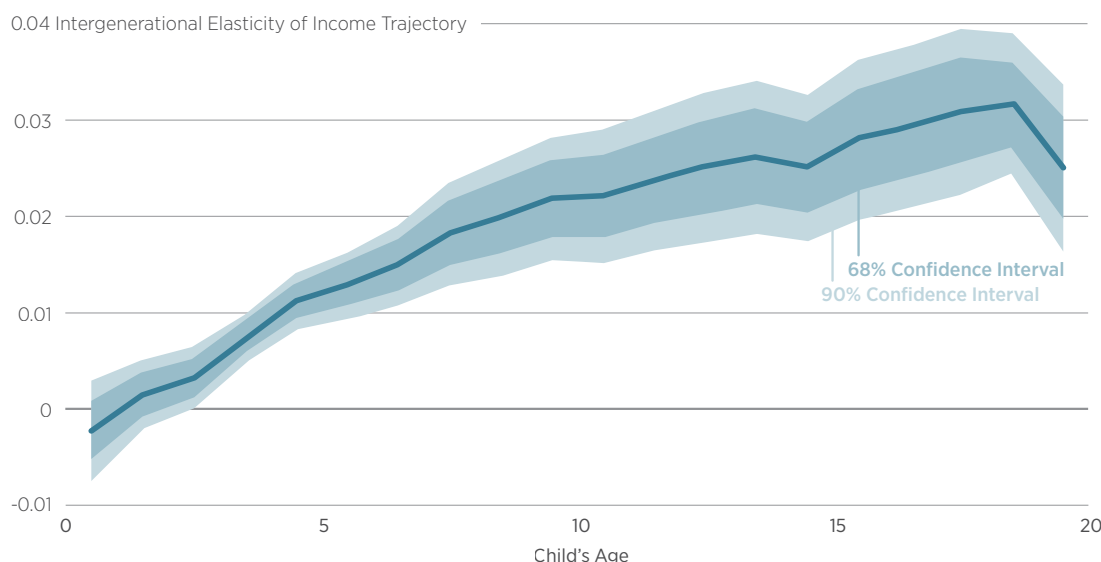
While much research on intergenerational mobility has focused on the influence of parental income while children are young, this research shows how marginal changes in income at each age affect expected offspring permanent income; parental income at adolescence proves key.

Researchers have long looked to parental income as a key factor in determining intergenerational mobility. However, parental income is not fixed over time, and parental expenditures on children change as a child ages, from predominantly food, health, and shelter when a child is young, for example, to education and neighborhoods through adolescence. As this new research reveals,

taking a trajectories-based approach to income and expenditures delivers important new insights into intergenerational mobility.

The authors’ trajectories-based approach allows them to link parental income at each offspring age to the child’s future permanent income. Among other features of the authors’ methodology, their approach offers more

Figure 1 • Age-Varying Intergenerational Elasticity of Income



Note: This figure highlights the authors’ key finding; namely, there is strong evidence that the intergenerational elasticity of income differs across childhood and adolescence. The marginal sensitivities of offspring permanent income to adolescent age parental incomes are higher than for earlier years. Also, this figure illustrates that the children of parents with increasing income trajectories have higher expected permanent incomes than others. Please see working paper for more details.

precision when measuring age-specific parental income effects (please see the working paper for more details). The authors find the following:

- There is clear evidence that a child's permanent income is sensitive to the timing of parental income: parental incomes in middle and late adolescence are associated with larger marginal effects on predicted offspring income than earlier parental income years. This is owing, at least in part, to the increasing role of education and social influences.
- The mobility process has changed across cohorts defined as births in 1967-1970, 1971-1973, and 1974-1977: the effects of a permanent parental income starting at birth are larger for the earliest cohort compared to the two later ones. In other words, the sensitivity of offspring to income in later childhood and adolescence seems to have declined relative to the first cohort.
- The authors uncover interactions between incomes at different ages as a distinct determinant of a child's permanent income on parental income trajectories. In doing so, they find evidence of interactions between parental incomes at different ages in terms of their effects on children.
- Finally, in an important confirmation of their income results, the authors find that family income trajectories exhibit similar influences on education as they do for income; however, their results for occupations are mixed and imprecise.

Bottom line: Parental income plays different roles over the life of a child and, likewise, has different effects at given ages. This work reveals how the measurement of intergenerational mobility is enhanced by a consideration of how the dynamics of family income over childhood and adolescence predict adult outcomes. Importantly, for those interested in the role of parental income in intergenerational mobility, this work suggests an especially important role for incomes in adolescence.

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